

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Michael Kubayanda, Chairman;
Ann C. Fisher, Vice Chairman;
Mark Acton;
Ashley E. Poling; and
Robert G. Taub

Permanent Addition of Extended Mail Forwarding
Product to the Market Dominant Product List

Docket No. MC2022-40

ORDER APPROVING ADDITION OF EXTENDED MAIL FORWARDING
TO THE MAIL CLASSIFICATION SCHEDULE

(Issued April 8, 2022)

I. INTRODUCTION

On February 14, 2022, the Postal Service filed a request, pursuant to 39 U.S.C. § 3642 and 39 C.F.R. § 3045.18, to add Extended Mail Forwarding, currently an experimental product, as a new, permanent Market Dominant offering under Special Services, Address Management Services.¹ A notice of the Request was issued on February 16, 2022, naming a Public Representative and establishing March 7, 2022 as

¹ United States Postal Service Request to Convert Extended Mail Forwarding to a Permanent Offering, February 14, 2022 (Request).

the deadline for comments by interested persons on the Request.² For the reasons below, the Commission approves the Request.

II. BACKGROUND

On July 20, 2020, pursuant to a notice filed by the Postal Service in Docket No. MT2020-2,³ the Commission authorized the Postal Service to proceed with a 2-year market test of Extended Mail Forwarding as an experimental Market Dominant product.⁴

The market test was authorized to begin on August 1, 2020 and is set to expire August 1, 2022. Order No. 5591 at 15. Extended Mail Forwarding provides customers who submit to the Postal Service a permanent change-of-address (COA) request with the option of extending forwarding of all First-Class Mail, First-Class Package Service Commercial, and Priority Mail mailpieces beyond the 12-month forwarding period. Request at 2. The market test was initially introduced into nine postal districts.⁵ On September 18, 2020, the Postal Service filed a notice of material change to the market test to expand the test's geographic scope from nine postal districts to nationwide beginning October 1, 2020.⁶ On February 16, 2021, the Commission approved the Postal Service's request for exemption of the \$10 million annual revenue limitation for market tests.⁷

² Notice and Order Concerning Request to Add Extended Mail Forwarding Product to the Mail Classification Schedule, February 16, 2022, at 3, 4 (Order No. 6107).

³ Docket No. MT2020-2, United States Postal Service Notice of Market Test of Experimental Product – Extended Mail Forwarding, June 8, 2020 (Docket No. MT2020-2 Notice).

⁴ Docket No. MT2020-2, Order Authorizing Extended Mail Forwarding Market Test, July 20, 2020, at 15 (Order No. 5591).

⁵ The nine initial postal districts were Alabama, Dakotas, Dallas, Northern New Jersey, Northland, Ohio Valley, Sacramento, San Diego, and Santa Ana. Request at 1.

⁶ Docket No. MT2020-2, United States Postal Service Notice of Material Change to Market Test, September 18, 2020.

⁷ Docket No. MT2020-2, Order Approving Request for Exemption, February 16, 2021 (Order No. 5834).

The Postal Service asserts that the market test has proven successful, and it now seeks to convert Extended Mail Forwarding into a permanent offering to be listed in the Mail Classification Schedule (MCS) at section 1515.1, as an option under Market Dominant Products, Special Services: Address Management Services. Request at 1-2. The Postal Service supports its Request with three attachments. Attachment A includes proposed MCS language and prices for the Extended Mail Forwarding product offering. Attachment B includes Market Test Quarterly Data Collection Reports previously filed with the Commission submitted as supporting justification for the current Request.⁸ Attachment C includes a copy of the Governor's Resolution supporting the Request. In Attachment D, the Postal Service provided a justification statement from a Postal Service official sponsoring the Request, as required by 39 C.F.R. § 3040.132.

The Postal Service states that, as in the market test, Extended Mail Forwarding will be available to customers when they submit their permanent COA request with the option of extending the forwarding beyond the 12-month forwarding period. Request at 2. Customers will be able to request a maximum of three 6-month extensions, equating to up to two and a half years of mail forwarding. Initial pricing for the service will be as follows: \$19.95 for one 6-month extension; \$29.95 for two 6-month extensions; and \$39.95 for three 6-month extensions. Request, Attachment A, section 1515.2. Any customer who initially signs up for one or two extensions at the \$19.95 or \$29.95 price will be able to request additional extensions (up to a total of three 6-month extensions), but the fee will be \$19.95 per additional 6-month extension. Docket No. MT2020-2 Notice at 2. After that time, customers would be able to request and pay for additional Extended Mail Forwarding extensions up to 18 months total. *Id.*

Customers requesting an extension online will need to provide the 16-digit confirmation number associated with their initial COA request and their new ZIP Code. *Id.* at 2-3. Online requests will incur a credit card authentication fee only once to verify the customer's identity for the COA request submitted online. *Id.* Extension requests at

⁸ Appendix B includes PRC Reports for FY20, partial Q4 (August 1, 2020- through September 30, 2020), FY21, Q1-4, and FY22, Q1.

retail post office locations will require a government-issued identification, the 16-digit confirmation number associated with the initial COA request, street number of the old address, the first two characters of the customer's last name/business on the COA request, and ZIP Code of the old or new address. *Id.* at 3. The fees will more than cover the cost of forwarding mailpieces pursuant to a permanent COA request. *Id.* at 2.

The Postal Service states that to date the market test has demonstrated Extended Mail Forwarding's efficient and simple operational implementation, indicating its ability to financially enhance the Postal Service's revenues, and displaying the Postal Service's willingness to innovate around its core mail products. Request at 2. The Postal Service asserts that as described in its market test notice, Extended Mail Forwarding is a customer-focused service that ensures customers receive mailpieces for which they are the intended recipient after they change addresses. *Id.* With Extended Mail Forwarding, the Postal Service states that Individuals, families, and businesses exercise greater control over their mail forwarding expiration dates to better fit their needs, providing more time to communicate with their mailing contacts and update their information. *Id.* In addition to providing a meaningful new revenue stream for the Postal Service, it claims that Extended Mail Forwarding has reduced Undeliverable as Addressed (UAA) handling costs, resulting in cost savings. *Id.*

The Postal Service maintains that the Extended Mail Forwarding product meets all the conditions in 39 U.S.C. § 3642 and 39 C.F.R. § 3045.18(b) and (c) for adding a non-experimental product offering, based on an experimental product, to the Market Dominant product list. *Id.* at 2-5.

III. COMMENTS

The Public Representative is the only commenter concerning the Request.⁹ He asserts that the Postal Service has satisfied the requirements of 39 C.F.R.

⁹ Public Representative Comments on Postal Service Request to Convert Extended Mail Forwarding to a Permanent Offering, March 7, 2022 (PR Comments).

§ 3045.18(b), (c), and (e) and adequately supported the Request. PR Comments at 2-3. The Public Representative states that subsection 3045.18(b)(1) is satisfied because the proposed permanent product is the same as the product authorized for the market test. *Id.* at 2. He submits that the Postal Service has adequately satisfied subsection 3045.18(b)(2) because the proposed product has the same distinct costs as the test product. *Id.* Subsection 3045.18(b)(3) is met, he concludes, because the Postal Service relies upon the same data collected from the market test in Docket No. MT2020-2. *Id.* He states that subsections 3045.18(c)(1) and (c)(2) are met because the permanent product is based on a one-to-one relationship of the experimental and permanent product. *Id.* He concludes subsection 3045.18(c)(3) is met by the indication that the market for the product has persisted over the course of the market test, remains stable, and will continue during the permanent phase. *Id.* at 3. He notes that subsection 3045.18(c)(4) is met by the inclusion of the data collection reports filed with the Commission in Docket No. MT2020-2. *Id.* Finally, he concludes that subsection 3045.18(e) is satisfied by the filing of a notice of the Request in Docket No. MT2020-2. *Id.*

IV. COMMISSION ANALYSIS

The addition of new products to the Market Dominant or Competitive product lists is authorized by 39 U.S.C. § 3642. The Market Dominant product category consists of those products for which the Postal Service can set the price substantially above costs, raise prices significantly, decrease quality, or decrease output without risking significant loss of business to other firms. 39 U.S.C. § 3642(b)(1). The Competitive category consists of all other products.¹⁰

Pursuant to 39 U.S.C. § 3642(b)(1), Extended Mail Forwarding is a new offering properly characterized as Market Dominant. Order No. 5591 at 10-11. Express Mail

¹⁰ *Id.* In addition, products that are covered by the postal monopoly may not be transferred from the Market Dominant to the Competitive product list. 39 U.S.C. § 3642(b)(2).

Forwarding is an add-on service to Address Management Services under the Special Services product in sections 1515.1 and 1515.2 of the MCS. Request, Attachment A. Extended Mail Forwarding is Market Dominant because the Postal Service controls mail forwarding within its network and submittal of a COA request is a customer's only option for changing the address of record. See Order No. 5591 at 10.

Subsection 3642(b)(3) specifies three considerations to which the Commission must give due regard in reaching any determination that a product should be added to either product list: the availability and nature of private sector enterprises engaged in delivering the product, the views of those using the product, and the likely impact on small business concerns. 39 U.S.C. § 3642(b)(3).¹¹

There are no available businesses in the private sector that offer the service to be considered because the Postal Service controls mail forwarding within its network. Order No. 5591 at 10; Docket No. MT2020-2 Notice at 5. No business has expressed its views regarding the appropriateness of the proposed action. Although not dispositive, no customer filed comments opposing the Request. In addition, the customer response that has led to the successful market test is an indication users have a favorable view of the offering's appropriateness. With respect to the likely impact of Extended Mail Forwarding on small business concerns, Extended Mail Forwarding will have no negative impact on small businesses but will provide them the option of extending mail forwarding if they permanently change their address. Order No. 5591 at 9; Docket No. MT2020-2 Notice at 5. Extended Mail Forwarding can also enable small business mail to be forwarded to customers for an extended period of time beyond the usual 12-month forwarding period. The Commission finds the Postal Service's representations regarding the impact of Extended Mail Forwarding to be reasonable. Order No. 5591 at 9.

¹¹ In this case, "small business concerns" mean Courier and Express Delivery Services companies with 1,500 or fewer employees and Local Messengers and Local Delivery companies with annual receipts of \$30 million or less that meet certain criteria. 39 C.F.R. § 3010.101(t); 13 C.F.R. § 121.201, Sectors 48-49, Subsector 492.

Regulations governing Postal Service requests to modify the product lists are contained in 39 C.F.R. part 3040, subpart B. Rules 3040.131 and 3040.132 specify information that must be included in any request, along with the Postal Service's supporting justification. 39 C.F.R. §§ 3040.131-.132. Furthermore, Rule 3045.18 specifies additional information that must be provided when the Postal Service seeks to convert an experimental product into a permanent product offering. 39 C.F.R. § 3045.18.

The Postal Service explains that "Extended Mail Forwarding will offer the same service as the current experimental product described as Extended Mail Forwarding in Docket No. MT2020-2, with the same distinct costs and market characteristics, and is based on the data collected from the current market test." Request at 2-3; see 39 C.F.R. § 3045.18(b). The Postal Service states that "[t]he relationship between the proposed non-experimental product and [the Extended Mail Forwarding] market test is one-to-one[, as] this Request seeks to convert the experimental product at the heart of this market test to the permanent product list." *Id.* at 3. The Postal Service "assumes that the market for Extended Mail Forwarding that has persisted over the course of the market test remains stable and will continue into the permanent product phase." *Id.* at 4.

Pursuant to subsection 3045.18(c)(4), the Postal Service "has included all data collection reports filed over the course of the market test." *Id.*; *id.* Attachment B. The market test was first available nationwide at the beginning of FY 2021 Quarter 1. The reports indicate the number of extensions purchased per quarter. Total extensions for all of FY 2021 was just over 1,356,000, with an additional 260,366 extension requests processed in FY 2022 Quarter 1. From FY 2021 Quarter 1 through FY 2022 Quarter 1, quarterly revenue ranged from \$6.7 million in FY 2022 Quarter 1 to \$9.4 million in FY 2021 Quarter 2. Total revenue reported from commencement of the market test on

August 1, 2020 through the end of FY 2022 Quarter 1 was \$42,181,499.55.¹² As required by subsection 3045.18(c)(5), the Postal Service provided product-specific costs associated with the development of the Extended Mail Forwarding market test that “total \$505,983.29 (a cumulative figure, which includes program management and IT-related costs).” Request at 4-5, Table 1.

The Postal Service also reported that “Extended Mail Forwarding has reduced Undeliverable as Addressed (UAA) handling costs, resulting in cost savings.” *Id.* at 2. The Commission requested the Postal Service to provide an estimate of the total UAA cost savings from the Extended Mail Forwarding market test.¹³ The Postal Service estimates \$878,400 in cost savings over the course of the market test.¹⁴

In addition to providing the information required by Rules 3045.18(b) and (c), the Request was timely filed pursuant to Rule 3045.18(d), and as required by Rule 3045.18(e), the Postal Service filed notice of the Request in Docket No. MT2020-2.¹⁵

The Commission also finds that adding Extended Mail Forwarding to the MCS as a new Market Dominant rate category under Special Services, Address Management Services, would be consistent with the policies and applicable criteria of chapter 36 of title 39 of the United States Code. See 39 C.F.R. § 3040.132(b). The Postal Service provides supporting data showing that Extended Mail Forwarding covers its attributable costs and contributes to the Postal Service’s institutional costs.¹⁶ Such being the case, Extended Mail Forwarding should enhance the financial position of the Postal Service. See 39 U.S.C. § 3622(b)(5). By enhancing Address Management Services, Extended

¹² Attachment B, Reports: FY20 Q4, Metric 2--\$632,208.50; FY21 Q4, Metric 5--\$34,816,049.35; and FY22 Q1—Metric 2, \$6,733,241.70. See also Request at 4.

¹³ Chairman’s Information Request No. 1, March 11, 2022, question 1 (CHIR No.1).

¹⁴ USPS Response to Chairman’s Information Request No. 1, March 18, 2022, question 1 (Response to CHIR No. 1).

¹⁵ Docket No. MT2020-2, United States Postal Service Notice of Request to Convert Extended Mail Forwarding to Permanent Offering, February 14, 2022.

¹⁶ The Commission’s analysis of the data collection reports shows that revenue exceeded attributable cost for every quarter during the Extended Mail Forwarding market test. See Request, Attachment B.

Mail Forwarding also enhances the value of Special Services and should help Special Services cover its attributable costs. See 39 U.S.C. § 3622(c)(1) and (2). The Commission finds that the proposed rates for Extended Mail Forwarding—\$19.95, \$29.95 and \$39.95 for a 6-month extension, 12-month extension, and 18-month extension, respectively, —are reasonable. See 39 U.S.C. § 3622(b)(8), (c)(3). The Commission does not find that the addition of Extended Mail Forwarding would be inconsistent with any of the Postal Accountability and Enhancement Act’s statutory objectives and factors. See 39 U.S.C. § 3622(b)-(c).

The Postal Service asserts that as a general rule, new products do not have price cap effects. New offerings lack volume history and billing determinants used to calculate a price cap effect. Market test data are not considered by the Commission in calculating billing determinants. Request at 3. The Postal Service cites Order No. 1917 for its view that there is no change in rates under 39 C.F.R. § 3010.23(c) and (d) upon conversion of an experimental product to a permanent product where there is no change in price and no volume shifts between price categories.¹⁷ Because the prices charged for Extended Mail Forwarding were charged as part of a market test, the price proposed in connection with the addition of Extended Mail Forwarding does not constitute a price increase otherwise subject to the price cap provisions at 39 U.S.C. § 3622(d). Request at 3-4.

In the Market Test proceeding, the Association for Postal Commerce (PostCom) filed comments suggesting that the Postal Service utilize the market test to obtain insight on consumer preferences by testing varying terms of service and prices offered. The Commission agreed and recommended that the Postal Service consider PostCom’s comments as the market test progresses. Order No. 5591 at 10. In its Response to CHIR No. 1, the Postal Service states that it had not collected any market research data on consumer response to different price options. Response to CHIR No. 1, question

¹⁷ *Id.* at 4; see Docket No. MC2012-31, Order Approving Addition of Postal Services to the Mail Classification Schedule Product Lists, September 7, 2012, at 11 (Order No. 1460).

2.b. The Postal Service states that a majority of respondents reacted positively to a starting -price point of \$19.95 in a survey conducted before the launch of the market test, and that volume and revenues collected during the market test were sufficient signs that the Postal Service set the price appropriately. *Id.* Although the customer survey provided support for the chosen pricing options, the Commission continues to encourage the Postal Service to experiment with the market test variables to utilize the data collecting opportunities available in future market tests.

The Postal Service states that Extended Mail Forwarding offers the same service as the experimental product with the same distinct costs and market characteristics. Request at 2. It emphasizes that the relationship between the proposed offering and the market test is “one-to-one.” *Id.* at 3. To conform the description proposed for section 1515.1 of the MCS and the implementation rule for extensions as stated by the Postal Service in its notice of the market test,¹⁸ a sentence should be added to MCS section 1515.1 to clearly describe the available purchasing options. The sentence notes the requirement that additional extensions purchased after a 6-month extension must be at the 6-month fee per additional 6-month extension. The following language is therefore inserted at the end of the proposed Extended Mail Forwarding classification language: “Any customer who initially signs up for one extension will be able to request additional extensions (up to a total of three 6-month extensions), but the fee will be the 6-month fee per additional 6-month extension.”

¹⁸ Docket No. MT2020-2 Notice at 2.

V. ORDERING PARAGRAPHS

It is ordered:

1. The United States Postal Service Request to convert Extended Mail Forwarding to a permanent offering, filed February 14, 2022, is approved.
2. Consistent with the body of this Order, revisions to the Market Dominant product list and the Mail Classification Schedule appear below the signature of this Order and are effective immediately.
3. The Secretary shall arrange for publication in the *Federal Register* of an updated product list reflecting the change made in this Order.

By the Commission.

Erica A. Barker
Secretary

CHANGE IN PRODUCT LIST

The following material represents changes to the product list codified in Appendix A to 39 C.F.R. part 3040. These changes reflect the Commission's order in Docket No. MC2022-40. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

Appendix A to Subpart A of Part 3040—Market Dominant Product List

Market Tests*

~~Extended Mail Forwarding~~

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents changes to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

Part A—Market Dominant Products **1000 Market Dominant Product List**

1500 Special Services

1515 Address Management Services

1515.1 Description

Extended Mail Forwarding

Extended Mail Forwarding provides customers who submit a permanent change-of-address (COA) request with the option of extending the forwarding beyond the 12 months forwarding period, for additional periods of 6, 12, or 18 months. Any customer who initially signs up for one extension will be able to request additional extensions (up to a total of three 6-month extensions), but the fee will be the 6-month fee for each additional 6-month extension.

1515.2 Prices

	(\$)

<u>Extended Mail Forwarding</u>	
<u>6-month extension</u>	<u>19.95</u>
<u>12-month extension</u>	<u>29.95</u>
<u>18-month extension</u>	<u>39.95</u>

1800 Market Tests

~~1803~~ ~~Extended Mail Forwarding~~~~Reference~~~~Docket No. MT2020-2~~~~PRC Order No. 5591, July 20, 2020~~~~Expires~~~~August 1, 2022~~
